CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Scripps Health ("Scripps") 4275 Campus Point Center San Diego, California 92121 San Diego County	**Amount Requested:** **Date Requested:** **Requested Loan Term:** **Resolution Number:**	$150,000,000 February 25, 2016 Up to 40 years 411
Project Sites:	See Exhibit 1		
Facility Types:	General acute, sub-acute and outpatient care		
Eligibility:	Government Code 15432(d) (1)		
Prior Borrower:	Yes (date of last CHFFA issue, 2012)		
Obligated Group:	Scripps is the sole member of the Obligated Group.		

Background: Scripps, established in 1924 and headquartered in San Diego, is a nonprofit public benefit corporation which provides quality, safe and cost-effective health care services. Scripps provides healthcare services to approximately 500,000 patients every year through a network of programs at four acute-care hospitals, 23 outpatient clinics, five campuses, an extensive ambulatory care network, home health care, associated support services and more than 2,600 affiliated physicians. Scripps has grown from a single acute care hospital to its present countywide health care delivery system. Today, Scripps includes two of the six designated trauma centers in San Diego County, one of the 10 largest hospitals in California, and one of the oldest multi-specialty clinics in Southern California.

Use of Proceeds: Bond proceeds will be used to finance the reimbursement for the cost of construction, expansion, furnishing and equipping of health facilities located in Encinitas and San Diego.

Type of Issue:	Private placement with two 10-year fixed rate bonds
Purchasers:	JPMorgan Chase Bank, N.A. ($100 million) MUFG Union Bank, N.A. ($50 million)
Expected Credit Rating:	Unrated – *Please see Guideline discussion on page 3*
Financing Team:	*Please see Exhibit 2 to identify possible conflicts of interest*

Financial Overview: Scripps' income statement appears to exhibit a reduction in operating income while revenue showed solid results with positive income growth from FY 2013 to FY 2015. Scripps' financial strength appears strong with an operating pro-forma debt service coverage ratio of 2.93x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Series 2016A Par Amount	$ 50,000,000	Project Fund	$ 150,000,000
Series 2016B Par Amount	100,000,000	Financing Cost	550,800
Borrower Funds	550,800		
Total Estimated Sources	$ 150,550,800	**Total Estimated Uses**	$ 150,550,800

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, CEQA documentation, Community Service Obligation, and the Iran Contracting Act Certificate documentation. All documentation satisfies the Authority's requirements.

Staff Recommendation: Staff recommends the Authority approve Resolution Number 411 in an amount not to exceed $150,000,000 subject to the conditions in the resolution for unrated debt. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Fieldman Rolapp & Associates, the Authority's financial advisor, concur with the Authority's staff recommendation.

(MS/TG)

I. PURPOSE OF FINANCING:

As part of its overall expansion plans, Scripps will use proceeds from the issuance of bonds to take advantage of current low interest rates while preserving capital. Scripps seeks to issue $150 million in two ten-year fixed rate bonds for the costs of construction, remodeling, renovation, and equipping of two new hospitals located in San Diego and Encinitas. Both projects are part of Scripps' master plan and have been completed. The bonds will be directly purchased by JPMorgan Chase Bank, N.A., and MUFG Union Bank, N.A. in the amounts of $100 million and $50 million, respectively, and both Series A and Series B are subject to rate lock agreements. The direct purchase structure will reduce the overall cost of issuing the bonds by an estimated $1.3 million through the elimination of fees associated with a public offering.

Project Fund ***$150,000,000***

Scripps Hospital La Jolla **$123,772,932**
Scripps plans to reimburse itself for the final phase of construction of a new patient tower, the Scripps Prebys Cardiovascular Institute ("SPCI"). The new 383,000 square-foot tower features 108 inpatient beds in private rooms, 59 intensive care beds, six state-of-the-art operating rooms, and three advanced technology cardiac catheterization labs with space to add three more. The new facility will enhance the capability of Scripps to provide the highest level of care to the more than 76,000 patients that receive their cardiovascular care from Scripps.

Scripps Hospital Encinitas **26,227,068**
Scripps plans to reimburse itself for the final phase of construction of the 72,321 square-foot Leichtag Foundation Critical Care Pavilion. The first floor of the new building houses a 26-bed emergency department. The second floor is home to 36 private medical-surgical inpatient rooms; twelve of which can be converted to intensive care unit rooms. All patient rooms have access to a telemetry system to provide continuous wireless monitoring of cardiac rhythm. New imaging technology inside the facility includes MRI, CT scanner and digital diagnostic X-ray units. The addition of the Critical Care Pavilion will allow Scripps to better serve its patients in the growing North County region of San Diego County.

Financing Cost[1] ***550,800***

Estimated cost of issuance..................................... $ 550,800

Total Estimated Uses of Funds ***$150,550,800***

[1] Scripps Health will pay costs of issuance from its own funds.

II. GUIDELINES DISCUSSION:

Scripps Health Series 2016A Bonds will be an unrated, direct placement with MUFG Union Bank, N.A. The Scripps Health Series 2016B Bonds will be an unrated, direct placement with JPMorgan Chase Bank, N.A. The following guidelines have been applied to the issuance of the Bonds:

- Must be privately placed with and transferred only to a “Qualified Institutional Buyer” (“QIB”) as defined by SEC Rule 144A, promulgated under the Securities Act of 1933;
- Minimum denomination of $250,000;
- Unconditional Promise to Pay from Borrower;
- Investor Letter required at issuance;
- Bonds and Notes transfer restrictions must be noted conspicuously on the Bonds or Notes themselves; and
- Bonds and Notes must be physically delivered.

All of the foregoing requirements are designed to maximize the likelihood that the unrated Bonds will be placed with more sophisticated investors given the higher risk typically perceived to be associated with unrated debt. The Bonds are not rated at this time because the purchasers do not require the Bonds and Notes to be rated. The purchasers are required to be QIB under SEC Rule 144A and each will make an independent credit determination to purchase the Bonds, as applicable. The foregoing will be reflected in their investor letters (or equivalent provisions in the bond purchase agreement).

Staff and Fieldman Rolapp & Associates have reviewed the entirety of this financing package and find it to be acceptable.

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III. FINANCIAL STATEMENTS AND ANALYSIS:

SCRIPPS HEALTH AND AFFILLIATES
Consolidated Statements of Operations and
Changes in Unrestricted Controlling Net Assets
($ in Thousands)

	Year ended September 30,		
	2015	**2014**	**2013**
Unrestricted net assets:			
Operating revenues:			
Patient service revenues less provision for bad debts, net of contractual allowances and discounts	$ 2,147,308	$ 2,142,221	$ 2,207,669
Provision for bad debts	(40,175)	(53,702)	(59,253)
Net patient service revenue less provision for bad debts	2,107,133	2,088,519	2,148,416
Provider Fee	152,128	21,047	100,947
Net patient service revenue	2,259,261	2,109,566	2,249,363
Capitation premium	475,791	341,078	250,737
Meaningful use	2,020	14,476	20,790
Other	101,403	81,076	68,452
Net assets released from restrictions used for operations	19,090	18,619	19,877
Total operating revenues	2,857,565	2,564,815	2,609,219
Operating expenses:			
Wages and benefits	1,214,506	1,165,283	1,149,618
Supplies	432,178	397,113	394,210
Services (medical, surgical, and support)	793,353	710,408	667,919
Provider fee	122,842	14,778	92,213
Depreciation and amortization	130,154	102,455	98,923
Interest	21,021	15,266	14,683
Loss on impairment	-	4,730	698
Total operating expenses	2,714,054	2,410,033	2,418,264
Operating Income	143,511	154,782	190,955
Nonoperating gains (losses):			
Investment income	195,983	190,727	95,165
Unrealized gains (losses) on trading portfolio	(258,658)	(51,301)	72,060
Contributions	5,019	971	1,323
Unrealized gains (losses) on trading portfolio	-	-	1,123
Market adjustment on interest rate swaps	(4,550)	(1,657)	11,361
Excess (loss) of revenues over expenses	(62,206)	138,740	181,032
Less excess of revenue over expenses attributable to noncontrolling interests	(1,765)	(1,952)	(1,227)
Excess of revenue over expenses attributable to controlling interests	79,540	291,570	370,760

Continued

Unrestricted net assets:			
Net assets released from restrictions used for purchases of property and equipment	19,020	21,791	21,236
Other	(1,178)	4,021	(4,512)
Increase in unrestricted net assets attributable to controlling interests	97,382	317,382	387,484
Noncontrolling interests:			
Excess of revenue over expenses attributable to noncontrolling interests	1,765	1,952	1,227
Distributions to noncontrolling members	(1,542)	(1,690)	(1,204)
Increase in noncontrolling interests	223	262	23
Increase in unrestricted net assets	97,605	317,644	387,507
Temporarily restricted net assets:			
Contributions	33,269	26,997	36,611
Investment Income	13,077	13,288	7,586
Unrealized gains (losses) on investments	(16,636)	(2,601)	6,307
Net assets released from restrictions used for operations	(19,090)	(18,619)	(19,877)
Net assets released from restrictions used for purchases of property and equipment	(19,020)	(21,791)	(21,236)
Change in value of deferred gifts	(758)	60	1,566
Other	(525)	194	1,588
Increase (Decrease) in temporarily restricted net assets	(9,683)	(2,472)	12,545
Permanently restricted net assets:			
Contributions	1,346	528	127
Change in value of deferred gifts	11	73	78
Other	1	871	(1,263)
Increase (Decrease) in permanently restricted net assets:	1,358	1,472	(1,058)
Total increase in net assets	89,280	316,644	398,994
Net assets at beginning of year	2,958,147	2,641,503	2,242,509
Net assets at end of year	$ 3,047,427	$ 2,958,147	$ 2,641,503

Scripps Health Payer Source for FYE 9/30/15

Patient service revenues	Percent
Medi-Cal	2.9
Medicare	24.0
Contracted	67.4
Self-Pay and others	5.7
Total	**100**

SCRIPPS HEALTH AND AFFILIATES
Consolidated Balance Sheets
($ in thousands)

	Year ended September 30,		
	2015	**2014**	**2013**
Assets			
Current assets:			
Cash and cash equivalents	$ 378,779	$ 367,175	$ 530,648
Patient accounts receivable, net	277,073	243,138	274,154
Assets limited as to use	5,542	5,357	9
Other current assets	148,077	100,308	122,600
Total current assets	809,471	715,978	927,411
Assets limited as to use	212,328	219,942	212,419
Investments	1,773,546	1,827,715	1,531,267
Property, plant and equipment, net	1,577,024	1,436,997	1,266,520
Other assets	107,764	97,300	90,593
Total assets	$ 4,480,133	$ 4,297,932	$ 4,028,210
Liabilities and net assets			
Current liabilities:			
Current portion of debt	$ 22,909	$ 21,434	$ 18,797
Accounts payable	136,028	114,080	142,852
Accrued liabilities	282,362	244,904	240,520
Total current liabilities	441,299	380,418	402,169
Non-current liabilities:			
Long-term obligations, less current portion	866,586	847,997	866,256
Other	124,821	111,370	118,282
Total liabilities	1,432,706	1,339,785	1,386,707
Net assets:			
Unrestricted			
Controlling interests	2,845,018	2,747,636	2,430,254
Noncontrolling interests in subsidiaries	2,843	2,620	2,358
	2,847,861	2,750,256	2,432,612
Temporarily restricted	118,575	128,258	130,730
Permanently restricted	80,991	79,633	78,161
Total net assets	3,047,427	2,958,147	2,641,503
Total liabilities and net assets	$ 4,480,133	$ 4,297,932	$ 4,028,210

Financial Ratios:

	Proforma FYE September 30, 2015	**2015**	**2014**	**2013**
Debt Service Coverage (x) -- Operating	2.93	6.94	8.00	8.26
Debt Service Coverage (x) -- Net	2.30	5.43	12.02	13.14
Debt/Unrestricted Net Assets (x)	0.35	0.30	0.32	0.36
Margin (%)		5.02	6.03	7.32
Current Ratio (x)		1.83	1.88	2.31

Financial Discussion – Statement of Activities (Income Statement)

Scripps' income statement appears to exhibit a reduction in operating income while revenue showed solid results with positive income growth from FY 2013 to FY 2015.

Scripps' operating income displayed a decrease in growth from FY 2013 to FY 2015 of approximately 24.8%, decreasing from $190.9 million to $143.5 million. While operating revenues grew 9.5% during the review period, operating expenses grew at a faster rate of 12.2% from $2.4 billion to $2.7 billion. According to Scripps management, the trend of operating expenses outpacing operating revenues is expected to continue due to the relatively flat rate environment and as Scripps pivots from fee for service to a fee for value, which includes significant investments in the Epic electronic health record, a full Knox Keene health plan (Scripps Health Plan Services), which will add operating costs, as well as depreciation expense. Scripps will attempt to mitigate the expense increases with productivity improvements, premium pay utilization reduction, supply standardization and utilization management, including length of stay reductions. Additionally, Scripps is looking at growth through acquisitions and joint ventures in new, accretive ambulatory businesses that will expand its outreach and offer its customers lower cost alternatives.

Furthermore, according to Scripps management, operating expenses increased primarily due to several factors, including growth in capitated service expense, annual agreed upon rate increases and growth in physician practices, the timing of program approvals from centers for Medicare and Medicaid Services ("CMS"), and the opening of the SPCI in December 2014.

Overall, Scripps' total revenues grew to $2.8 billion in FY 2015, an increase of 9.5% during the review period.

Particular Facts to Note:

- Provider fee revenue experienced significant fluctuations, decreasing from $100.9 million in FY 2013 to $21 million in FY 2014 before experiencing significant growth of 622% to $152.1 million in FY 2015. Similarly, provider fee expenses experienced a similar fluctuation, falling from $92.2 million in FY 2013 to $14.7 million in FY 2014, only to rebound to $122.8 million in FY 2015. According to Scripps' management, provider fee program results recognized in the financial statements can vary significantly from year to year depending on timing of program approval from centers for CMS for the various program components.

- Scripps displayed a reduction in non-operating gains from FY 2013 to FY 2015, declining from $181 million to negative $62.2 million, a 140% decrease. According to Scripps management, decreases in non-operating gains resulted primarily from unfavorable investment performance in FY 2015 with $62.7 million of net investment loss recorded in FY 2015 as compared to investment income in FY 2013 of $167.2 million. However, investment income increased 105.9% over the review period, from $95.1 million to $195.9 million.

- Excess of revenue over expenses attributable to controlling interests decreased each fiscal year, from approximately $370.7 million in FY 2013 to $79.5 million in FY 2015. According to Scripps management, the decrease in the excess of revenue over expenses attributable to controlling interests is primarily related to the investment losses in FY 2015, which resulted in a $229.9 million decrease over FY 2013 investment performance results.

- The Affordable Care Act ("ACA") has expanded insurance coverage to individuals that were previously uninsured or underinsured. The ACA has had a positive financial impact to Scripps in the form of improved reimbursement for care provided to patients that were previously uninsured or underinsured. Additionally, there has been some migration of patients with coverage under fully insured coverage plans to coverage under the exchange plans, which have significant deductibles and copayments. This migration has placed more administrative burden on Scripps in the collection of these self-pay balances as well as lowering reimbursement as the exchanges typically reimburse at rates lower than historical commercial HMO/PPO plans. Lastly, the ACA has created the administrative burden of significant reporting throughout the year.

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Financial Discussion – Statement of Financial Position (Balance Sheet)

Scripps' financial strength appears strong with an operating pro-forma debt service coverage ratio of 2.93x.

Scripps appears to have demonstrated a strong ability to service its debt with a debt service coverage ratio from operating income of 8.26x, 8.00x, and 6.94x in fiscal years 2013, 2014, and 2015, respectively. With the issuance of new bonds, Scripps maintains a strong ability to repay its debt obligations with a pro-forma debt service coverage ratio of 2.93x. Scripps' debt to unrestricted net assets decreased from 0.36x in FY 2013 to 0.32x in FY 2014, and 0.30x in FY 2015. According to Scripps management, debt to unrestricted net assets decreased from FY 2013 to FY 2015 primarily as a result of the increase in unrestricted net assets of $415.2 million for the two fiscal years as compared to a net increase in outstanding debt of $4.4 million. While Scripps continues to display a strong ability to repay its debt obligation, the issuance of new bonds increases Scripps' pro-forma debt-to-unrestricted net assets ratio to 0.35x. According to Scripps management, Scripps is not currently anticipating additional borrowings over the next several years that would affect the debt ratios.

Particular Facts to Note:

- Cash and cash equivalents decreased by 28.6%, from approximately $530.6 million in FY 2013 to approximately $378.7 million in FY 2015. According to Scripps management, cash decreased as a result of investing excess cash into the long-term investment portfolio. The long-term investment portfolio grew by $242.3 million during the same period.

- Other current assets fluctuated, but demonstrated strong growth of 20.8% from FY 2013 to FY 2015. Other current assets fell 18.2% to $100.3 million in FY 2014, but rebounded 47.6% in FY 2015, growing to $148 million. According to Scripps management, the increase from FY 2013 to FY 2015 is primarily related to an increase in third party settlement receivables and management fee receivable from a new acquisition (Imaging Healthcare Specialists, LLC) in FY 2015.

- Property, plant and equipment, net grew steadily from FY 2013 to FY 2015, increasing by 24.5% over the time period, from $1.2 billion to $1.5 billion, respectively. According to Scripps management, the increase is primarily related to the opening of the SPCI in December 2014 at a total cost of $405 million.

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IV. DUE DILIGENCE:

Due diligence has been completed with regard to the following items:

- **Section 15438.5(a) of the Act (Savings Pass Through):** Scripps properly completed and submitted the "Pass-Through Savings Certification."

- **Section 15491.1 of the Act (Community Service Requirement):** Scripps properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.

  As a not-for-profit, Scripps invests its earnings back into its communities. Scripps has invested $372.6 million in 2014 to support community health programs. Scripps' community benefit contributions include $321.7 million in uncompensated care, $36.3 million in professional education and health research, $1.9 million in community building activities, and $12.7 million in community health services. These investments and partnerships include supporting access to medical care, awarding community grants to programs throughout San Diego, providing prevention and wellness education programs, establishing a medical response team to assist with disasters and provide community education on disaster preparedness, operating a mobile medical unit, and providing professional education and health research.

  http://www.scripps.org/sparkle-assets/documents/scripps_health_2015_community_benefit_plan_and_report.pdf

- **Compliance with Seismic Regulations:** Scripps properly submitted a description of how it is complying with OSHPD seismic evaluation regulations.

- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** Scripps properly submitted relevant documentation addressing CEQA.

- **Religious Affiliation Due Diligence:** Scripps properly completed and submitted relevant documentation to meet the religious due diligence requirement.

- **Legal Review:** Scripps properly completed and submitted relevant documentation for the Authority's Legal Questionnaire.

- **Iran Contracting Act Certificate:** Scripps properly submitted the certificate to the Authority.

EXHIBIT 1

PROJECT SITES

Scripps Memorial Hospital Encinitas

- 300, 310, 320, 332, 350, 351, 354 Santa Fe Drive, Encinitas, California 92024

Scripps Memorial Hospital La Jolla

- 9834, 9888, 9894, 9896, 9900, 9902, 9904 Genesee Avenue, San Diego, California 92037

EXHIBIT 2

FINANCING TEAM

Borrower:	Scripps Health
Agent for Sale:	California State Treasurer
Issuer's Counsel:	Office of the Attorney General
Issuer's Financial Advisor:	Fieldman Rolapp & Associates
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Borrower's Counsel:	Foley & Lardner LLP
Borrower's Financial Advisor:	Ponder & Co.
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Purchasers:	MUFG Union Bank, N.A. JPMorgan Chase Bank, N.A.
Purchasers' Counsel:	McGuire Woods LLP
Trustee:	U.S. Bank National Association
Trustee Counsel:	Dorsey & Whitney LLP
Master Trustee:	The Bank of New York Mellon Trust Company, N.A.
Auditor:	Ernst & Young LLP

EXHIBIT 3

UTILIZATION STATISTICS

Scripps Health
Utilization Statistics

The following table summarizes the Scripps utilization data for the fiscal years below:

	Fiscal Year Ended September 30,		
	2015	**2014**	**2013**
Inpatient Activity			
Licensed Beds	1,495	1,369	1,397
Available Beds	1,238	1,218	1,325
Discharges	68,376	66,971	69,073
Patient Days	290,116	287,163	303,055
Average Daily Census	795	787	830
Average Length of Stay	4	4.29	4.39
Occupancy Rate (Licensed Beds)	53	57%	59%
Occupancy Rate (Available Beds)	64	65%	63%
Inpatient Surgery Cases	21,617	21,004	21,331
Outpatient Activity			
Hospital Outpatient Total	439,097	419,595	416,337
Hospital Outpatient Surgery Cases (1)	20,644	19,514	19,423
Emergency Services	170,229	154,262	147,533
Scripps Clinic Visits	1,276,627	1,226,264	1,223,577
Scripps Coastal Medical Center Visits	370,269	361,591	340,975
Clinic Ambulatory Surgery Center Cases	13,152	12,341	9,002
Urgent Care Visits	83,150	83,059	86,035

(1) Hospital Outpatient Surgery Cases excludes Mercy Ambulatory Surgery Center's cases (FY 2015: 4,368 FY 2014: 4,665) and Encinitas Ambulatory Surgery Center's cases (FY 2015: 3,041 and FY 2014: 2,647)

EXHIBIT 4

OUTSTANDING DEBT

As of September 30, 2015, Scripps' outstanding long-term debt totaled approximately $866.4 million, of which approximately $792.6 million (91%) was comprised of debt issued through the Authority.

Following this proposed financing of $150 million, Scripps' total outstanding long-term debt will increase to approximately $1 billion, and the amount of the Authority debt will increase to approximately $942.7 million (93%).

EXHIBIT 5

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Scripps, established in 1924 and headquartered in San Diego, is a nonprofit public benefit corporation which provides quality, safe and cost-effective health care services. Scripps provides healthcare services through a network of programs at four acute-care hospitals, 23 outpatient clinics, 5 campuses, an extensive ambulatory care network, home health care, associated support services and more that 2,600 affiliated physicians. Scripps has grown from a single acute care hospital to its present countywide health care delivery system. Today, Scripps includes two of the six designated trauma centers in San Diego County, one of the 10 largest hospitals in California, and one of the oldest multi-specialty clinics in Southern California.

The mission of Scripps is to provide superior health services in a caring environment and to make a positive, measurable difference in the health of individuals in the community they serve. Scripps devotes their resources to delivering quality, safe, cost-effective, socially responsible health care services and they advance clinical research, community health education, education of physicians and health care professionals and sponsor graduate medical education. They collaborate with others to deliver the continuum of care that improves the health of the surrounding community.

Governance

Scripps is governed by the Board, which currently consists of 14 members. Each member serves a term of three years, may be elected to serve a second consecutive term of three years and, following at least one year of not serving on the Board, may serve up to two additional consecutive terms of three years each.

Licenses and Contracts

Each of the hospital facilities is appropriately licensed by the California Department of Public Health for the level of care it delivers and is certified to participate in the Medicare program and in the Medi-Cal program, and each is accredited by The Joint Commission.

RESOLUTION NO. 411

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO FINANCE PROJECTS AT THE HEALTH FACILITIES OF SCRIPPS HEALTH

WHEREAS, the California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Health Facilities Financing Authority Act (the "Act") to issue revenue bonds and loan proceeds thereof to any participating health institution to finance the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities (including by reimbursing expenditures made for such purposes), to refinance indebtedness of a participating health institution in connection therewith and to refund any outstanding bonds or any outstanding series or issue of bonds of the Authority;

WHEREAS, Scripps Health is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), which owns and operates health care facilities in the State of California; and

WHEREAS, the Corporation has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed $150,000,000, and make one or more loans of the proceeds thereof to the Corporation to (i) finance the acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of certain health facilities of the Corporation, as more particularly described under the caption "Project" in Exhibit A hereto (the "Project") and (ii) at the sole option of the Corporation, pay costs of issuance of the Bonds;

WHEREAS, the Bonds will be purchased or privately placed with certain purchasers, each of which is a "Qualified Institutional Buyer" as defined under Rule 144A of the Securities Act of 1933 (each, a "Purchaser" and collectively, the "Purchasers"), for the purpose of financing the Project; and

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the Government Code, the Corporation has provided documentation to the Authority demonstrating, to the extent applicable, that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code or is not a "project" under such division; and

WHEREAS, approval of the terms of issuance and sale of such revenue bonds and various related matters is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

Section 1. Pursuant to the Act, revenue bonds of the Authority designated as the "California Health Facilities Financing Authority Revenue Bonds (Scripps Health), Series 2016A" (the "Series 2016A Bonds") and the "California Health Facilities Financing Authority Revenue Bonds (Scripps Health), Series 2016B" (the "Series 2016B Bonds," and together with the Series 2016A Bonds, the "Bonds"), in a total aggregate principal amount not to exceed $150,000,000, are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Bonds or series thereof as designated in any of the indentures pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the third recital above.

Section 2. The Treasurer of the State of California (the "Treasurer") is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time prior to the first anniversary of the date of this Resolution, at private sale, in such aggregate principal amounts (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices (so long the discount on the Bonds sold shall not exceed 6 percent of the par value thereof) and at such interest rate or rates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Corporation, may determine. The Bonds will not at issuance be rated by any rating agency. The Bonds or any series of them may, at the sole option of the Corporation, be secured by deeds of trust, a reserve fund, bond insurance, credit facility and other security arrangements and/or supported by one or more liquidity facilities.

Section 3. The proposed forms of the following documents:

(i) one or more Loan Agreements relating to the Bonds (the "Loan Agreements"), between the Authority and the Corporation,

(ii) one or more Bond Indentures relating to the Bonds (the "Bond Indentures"), between the Authority and U.S. Bank National Association, as bond trustee (the "Trustee"), and

(iii) one or more Bond Purchase Contracts, including the exhibits thereto, relating to the Bonds (the "Purchase Contracts"), among the respective Purchasers, the Treasurer and the Authority, and approved by the Corporation.

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect provisions relating to a deed of trust, a bond reserve fund, bond insurance, any other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Corporation, for any series of Bonds) as the officer executing the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions or changes therein.

Section 4. The Authority hereby specifically finds and declares that the findings of the Authority set forth in the Loan Agreements are true and correct.

Section 5. The dated dates, maturity dates (not exceeding 40 years from the respective date of issue), interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of tender or purchase, terms of redemption, provisions governing transfer and other terms of the Bonds, including provisions for a credit facility and/or a liquidity facility from time to time, shall be as provided in each Bond Indenture, as finally executed.

Section 6. The Bonds, when executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the Purchasers thereof in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Said instructions shall provide for the delivery of the Bonds to or upon direction of the Purchasers, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

Section 7. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Bond Indentures, the Loan Agreements and the Purchase Contracts. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) a tax certificate and agreement and other certifications; and (b) any agreement or commitment letter with respect to the provisions of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds.

Section 8. The provisions of the Authority's Resolution No. 2014-05 apply to the documents and actions approved in this Resolution.

Section 9. The Authority hereby approves and ratifies each and every action taken by its officers, agents and employees prior to the date hereof in furtherance of the purposes of this Resolution.

This Resolution shall take effect from and after the date of adoption.

Date of Adoption: ____________________________

EXHIBIT A

Project:

The "**Project**" which may be financed with proceeds of the Bonds consists of any one or more of the following elements:

Financing, including reimbursing the Corporation for, the acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of the health facilities owned and operated by the Corporation or its affiliates at the following locations:

Scripps Memorial Hospital Encinitas at 300, 310, 320, 332, 350, 351 and 354 Santa Fe Drive, Encinitas, California and Scripps Memorial Hospital La Jolla at 9834, 9888, 9894, 9896, 9900, 9902 and 9904 Genesee Avenue, San Diego, California; all in California.

The major Project elements for which proceeds of the Bonds are expected to be used include:

Construction of new facilities including the Prebys Cardiovascular Institute at Scripps La Jolla (at the locations detailed above).

Construction of the new Critical Care Building at Scripps Memorial Hospital Encinitas (at the locations detailed above).